



Emadlangeni Local Municipality  
Annual Financial Statements  
for the year ended June 30, 2020

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## General Information

---

**Legal form of entity**

Local Municipality KZN 253 Governed by MFMA

**Nature of business and principal activities**

The main business of the municipality is to structure and manage the administration, budgeting and planning process to give priority to basic needs of the community and to promote the social and economic development of the community. The main type of services rendered by the municipality includes the provision of electricity and water, collection, purifying and disposal of waste water and the construction and maintenance of roads and provision of parks, sport and recreation facilities.

**Executive committee**

Executive Mayor

Cllr. L.Y. Mhlungu

Deputy Mayor

Cllr. N. Ndlovu

**Councillors**

Cllr. H.M Mthethwa

Cllr. Z.H. Madi( Speaker)

Cllr. V.C Ndlovu (MPAC Chairperson)

Cllr. M.J. Mthethwa

Cllr. F. Mlambo

Cllr. F.G.S Smook

Cllr. M.J. Mthethwa

Cllr. M.M. Booyens

Cllr. N.A Madida

Cllr. T.S. Buthelezi

**Grading of local authority**

Grade 1

**Chief Finance Officer (CFO)**

Sanelisiwe Mhlophe

**Accounting Officer**

Sanelisiwe Mhlophe (Acting)

**Registered office**

34 Voor Street

Utrecht

Kwa Zulu Natal

2980

**Postal address**

P.O. Box 11

Utrecht

Kwa Zulu Natal

2980

**Bankers**

Standard Bank

**Auditors**

Auditor General of South Africa

Registered Auditors

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Index

---

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	3
Audit Committee Report	4 - 5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 12
Accounting Policies	13 - 29
Notes to the Annual Financial Statements	30 - 66

MIG	Municipal Infrastructure Grant
INEP	Integrated National Energy Programme
DBSA	Development Bank of South Africa
EPWP	Extended Public Works Programme
GRAP	Generally Recognised Accounting Practice
KZN	Kwazulu Natal
FMG	Finance Management Grant
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

## Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

### Accounting Officer's Responsibilities and Approval

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

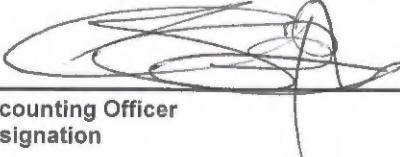
The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2021 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on October 31, 2020 and were signed on its behalf by:



Accounting Officer  
Designation

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Audit Committee Report

---

We are pleased to present our report for the financial year ended June 30, 2020.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

Name of member	Number of meetings attended
Buhle Dhlamini (Chairperson)	6
AdV Jabulani Mhlongo	6
Nontokozo Makhubu	6

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King iv Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

# **Emadlangeni Local Municipality**

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## **Audit Committee Report**

---

Chairperson of the Audit Committee

Date: \_\_\_\_\_

# **Emadlangeni Local Municipality**

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## **Accounting Officer's Report**

---

The accounting officer submits her report for the year ended June 30, 2020.

### **1. Review of activities**

#### **Main business and operations**

The main business of the municipality is to structure and manage the administration, budgeting and planning process to give priority to basic needs of the community and to promote the social and economic development of the community. The main type of services rendered by the municipality includes the provision of electricity and disposal of waste, the construction and maintenance of roads and provision of parks, sport and recreation facilities, and operates principally in South Africa in the KwaZulu Natal Province.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### **2. Going concern**

We draw attention to the fact that at June 30, 2020, the municipality had an accumulated surplus (deficit) of R 174,219,326 however the municipality's total liabilities does exceed its assets.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### **4. Accounting policies**

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### **5. Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Sanelisiwe Mhlophe (Acting)	South African

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on October 31, 2020 and were signed on its behalf by:

---

**Accounting Officer  
Designation**

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Statement of Financial Position as at June 30, 2020

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Investments	8	405,256	374,786
Receivables from exchange transactions	11&14	8,923,505	10,007,316
Receivables from non-exchange transactions	12&14	6,912,952	14,877,522
VAT receivable	13	6,218,389	6,871,446
Prepayments	10	112,810	112,810
Cash and cash equivalents	15	3,910,530	14,462,424
		<b>26,483,442</b>	<b>46,706,304</b>
<b>Non-Current Assets</b>			
Biological assets	3	3,276,700	2,520,666
Investment property	4	16,130,353	16,396,299
Property, plant and equipment	5	167,555,959	162,267,167
Intangible assets	6	-	109,850
Heritage assets	7	1,190,580	1,190,580
		<b>188,153,592</b>	<b>182,484,562</b>
<b>Total Assets</b>		<b>214,637,034</b>	<b>229,190,866</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of the long term Loan	17	147,767	84,877
Payables from exchange transactions	19	14,376,595	14,060,493
Payables from non exchange	20	1,203,004	584,657
Consumer deposits	21	168,152	166,890
Employee benefit obligation	9	385,260	340,269
Unspent conditional grants and receipts	16	949,492	1,142,482
		<b>17,230,270</b>	<b>16,379,668</b>
<b>Non-Current Liabilities</b>			
Non-current portion of the long term Loan	17	367,802	589,451
Employee benefit obligation	9	2,290,917	2,502,335
Provisions for Landfill sites	18	20,528,721	20,523,835
		<b>23,187,440</b>	<b>23,615,621</b>
<b>Total Liabilities</b>		<b>40,417,710</b>	<b>39,995,289</b>
<b>Net Assets</b>			
Accumulated surplus		<b>174,219,324</b>	<b>189,195,577</b>
		<b>174,219,326</b>	<b>189,195,576</b>

\* See Note 49 & 48

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Sale of goods	23	370,384	429,489
Service charges	24	16,125,081	14,444,107
Operational revenue	25	414,922	209,076
Rental of facilities and equipment	27	1,019,508	1,163,721
Interest received - investment	26	878,354	1,201,428
Licences and permits	29	939,652	1,072,710
Actuarial gains		159,746	-
Gain on biological assets and agricultural produce		756,034	2,520,666
<b>Total revenue from exchange transactions</b>		<b>20,663,681</b>	<b>21,041,197</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	31	20,301,570	19,962,860
Property rates - penalties imposed	31	3,068,218	2,457,568
<b>Transfer revenue</b>			
Government grants & subsidies	32	45,163,190	46,583,998
Fines, Penalties and Forfeits	28	103,890	406,722
<b>Total revenue from non-exchange transactions</b>		<b>68,636,868</b>	<b>69,411,148</b>
<b>Total revenue</b>	22	<b>89,300,549</b>	<b>90,452,345</b>
<b>Expenditure</b>			
Employee related costs	33	(34,552,014)	(31,152,971)
Remuneration of councillors	34	(3,713,930)	(3,568,243)
Depreciation and amortisation	35	(8,603,979)	(9,376,688)
Impairments	36	(82,204)	(1,089,801)
Finance costs	37	(141,780)	(1,564,217)
Lease rentals on operating lease	30	(92,138)	(85,166)
Debt Impairment	38	(17,195,430)	(1,937,763)
Bulk purchases	39	(13,589,041)	(12,365,008)
Contracted services	40	(14,217,871)	(8,297,447)
Actuarial losses		-	(355,901)
General Expenses	41	(11,991,353)	(8,707,392)
<b>Total expenditure</b>		<b>(104,179,740)</b>	<b>(78,500,597)</b>
<b>(Deficit) surplus for the year from continuing operations</b>		<b>(14,879,191)</b>	<b>11,951,748</b>
Loss on Disposals of assets		(97,060)	(2,159,658)
<b>(Deficit) surplus for the year</b>		<b>(14,976,251)</b>	<b>9,792,090</b>

\* See Note 49 & 48

## Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at July 1, 2018 restated</b>	<b>179,403,486</b>	<b>179,403,486</b>
Changes in net assets	2,283,842	2,283,842
Prior period errors		
Net income (losses) recognised directly in net assets	2,283,842	2,283,842
Surplus for the year	9,792,090	9,792,090
Total recognised income and expenses for the year	12,075,932	12,075,932
Changes recognised directly in income	(2,283,842)	(2,283,842)
Total changes	9,792,090	9,792,090
<b>Restated* Balance at July 1, 2019</b>	<b>189,195,577</b>	<b>189,195,577</b>
Changes in net assets	(14,976,251)	(14,976,251)
Surplus for the year		
Total changes	(14,976,251)	(14,976,251)
<b>Balance at June 30, 2020</b>	<b>174,219,326</b>	<b>174,219,326</b>

Note(s)

\* See Note 49 & 48

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Cash Flow Statement

Figures in Rand

Note(s)

2020

2019  
Restated\*

### Cash flows from operating activities

#### Receipts

Sale of goods and services	52,014,193	37,745,179
Grants	45,163,190	46,583,999
Interest Received	878,354	1,201,428
	<b>98,055,737</b>	<b>85,530,606</b>

#### Payments

Employee costs	(38,265,944)	(34,721,214)
Suppliers	(56,411,497)	(34,129,371)
Finance costs	(141,780)	(1,564,217)
	<b>(94,819,221)</b>	<b>(70,414,802)</b>

### Net cash flows from operating activities

44 **3,236,516** **15,115,804**

### Cash flows from investing activities

Purchase of property, plant and equipment	5	(12,400,989)	(8,633,595)
<b>Net cash flows from investing activities</b>		<b>(13,279,343)</b>	<b>(9,835,023)</b>

### Cash flows from financing activities

Pre paid accounts	804,280	187,591
Consumer deposits	1,262	1,185
Unspent Grants	(192,990)	473,437
Long ter Loans	(158,579)	981,082
<b>Net cash flows from financing activities</b>	<b>(509,066)</b>	<b>1,643,295</b>

### Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the year	(10,551,893)	6,924,076
<b>Cash and cash equivalents at the end of the year</b>	<b>15 3,910,531</b>	<b>14,462,425</b>

\* See Note 49 & 48

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Note
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	370,417	-	<b>370,417</b>	370,384	(33)	0%
Service charges	19,116,522	(111,501)	<b>19,005,021</b>	16,125,081	(2,879,940)	15
Operational revenue	1,598,276	786,496	<b>2,384,772</b>	414,922	(1,969,850)	83%
Rental of facilities and equipment	904,772	335,565	<b>1,240,337</b>	1,019,508	(220,829)	18%
Interest received (trading)	-	-	-	878,354	<b>878,354</b>	58%
Licences and permits	1,270,777	(25,420)	<b>1,245,357</b>	939,652	(305,705)	25%
Actuarial Gains	-	-	-	159,746	<b>159,746</b>	100%
Gains on fair value of assets	-	-	-	756,034	<b>756,034</b>	100%
<b>Total revenue from exchange transactions</b>	<b>23,260,764</b>	<b>985,140</b>	<b>24,245,904</b>	<b>20,663,681</b>	<b>(3,582,223)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	23,042,215	3,441,438	<b>26,483,653</b>	20,301,570	(6,182,083)	23%
Property rates - penalties imposed	3,760,843	(1,656,212)	<b>2,104,631</b>	3,068,218	<b>963,587</b>	0%
<b>Transfer revenue</b>						
Government grants & subsidies	35,636,000	-	<b>35,636,000</b>	45,163,190	<b>9,527,190</b>	11%
Fines, Penalties and Forfeits	4,500,450	(316,912)	<b>4,183,538</b>	103,890	(4,079,648)	24%
<b>Total revenue from non-exchange transactions</b>	<b>66,939,508</b>	<b>1,468,314</b>	<b>68,407,822</b>	<b>68,636,868</b>	<b>229,046</b>	
<b>Total revenue</b>	<b>90,200,272</b>	<b>2,453,454</b>	<b>92,653,726</b>	<b>89,300,549</b>	<b>(3,353,177)</b>	
<b>Expenditure</b>						
Personnel	(35,618,489)	312,036	<b>(35,306,453)</b>	(34,552,014)	<b>754,439</b>	3%
Remuneration of councillors	(3,779,701)	-	<b>(3,779,701)</b>	(3,713,930)	<b>65,771</b>	2%
Depreciation and amortisation	(8,279,951)	-	<b>(8,279,951)</b>	(8,603,979)	(324,028)	-47%
Impairment loss/ Reversal of impairments	-	-	-	(82,204)	(82,204)	100%
Finance costs	(303,664)	296,664	<b>(7,000)</b>	(141,780)	(134,780)	-467%
Lease rentals on operating lease	-	-	-	(92,138)	(92,138)	-25%
Debt Impairment	(1,543,378)	-	<b>(1,543,378)</b>	(17,195,430)	<b>(15,652,052)</b>	-951%
Bulk purchases	(14,524,875)	-	<b>(14,524,875)</b>	(13,589,041)	<b>935,834</b>	6%
Contracted Services	(10,134,148)	(3,834,289)	<b>(13,968,437)</b>	(14,217,871)	(249,434)	-1
General Expenses	(12,591,238)	188,758	<b>(12,402,480)</b>	(11,991,353)	<b>411,127</b>	11%
<b>Total expenditure</b>	<b>(86,775,444)</b>	<b>(3,036,831)</b>	<b>(89,812,275)</b>	<b>(104,179,740)</b>	<b>(14,367,465)</b>	
<b>Deficit before taxation</b>	<b>3,424,828</b>	<b>(583,377)</b>	<b>2,841,451</b>	<b>(14,879,191)</b>	<b>(17,720,642)</b>	
<b>Deficit for the year from continuing operations</b>	<b>3,424,828</b>	<b>(583,377)</b>	<b>2,841,451</b>	<b>(14,879,191)</b>	<b>(17,720,642)</b>	
Discontinued operations	-	-	-	(97,060)	(97,060)	

## Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to Note
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	3,424,828	(583,377)	2,841,451	(14,976,251)	(17,817,702)	55

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

Figures in Rand

Note(s)

2020

2019

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

#### 1.4 Biological assets

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to biological assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.4 Biological assets (continued)

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.5 Investment property (continued)

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note ).

### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X, X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.6 Property, plant and equipment (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

---

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10-30 Years
Plant and machinery	Straight-line	2-10 Years
Furniture and fixtures	Straight-line	2-7 Years
Motor vehicles	Straight-line	2-8 Years
Computer software	Straight-line	2-8 Years
Infrastructure	Straight-line	2-30 Years
Community	Straight-line	2-45 Years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.6 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.7 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

---

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 Years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as ■ single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.8 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to ■ financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of ■ financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.9 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### 1.10 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.10 Statutory receivables (continued)

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

### 1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### 1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.12 Impairment of cash-generating assets (continued)

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

### 1.13 Employee benefits

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

### 1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.15 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### 1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.17 Revenue from non-exchange transactions (continued)

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### 1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.19 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether ■■■ entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as ■■■ principal or an agent.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.19 Accounting by principals and agents (continued)

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

---

### 1.22 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the financial statements

### 1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

# **Emadlangeni Local Municipality**

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## **Accounting Policies**

---

### **1.23 Related parties (continued)**

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### **1.24 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	April 1, 2099	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	April 1, 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2020	Unlikely there will be a material impact
▪ Guideline: Guideline on the Application of Materiality to Financial Statements	April 1, 2099	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	April 1, 2020	Unlikely there will be a material impact
▪ GRAP 1 (amended): Presentation of Financial Statements	April 1, 2020	Unlikely there will be a material impact
▪ GRAP 34: Separate Financial Statements	April 1, 2020	Unlikely there will be a material impact
▪ GRAP 35: Consolidated Financial Statements	April 1, 2020	Unlikely there will be a material impact
▪ GRAP 36: Investments in Associates and Joint Ventures	April 1, 2020	Unlikely there will be a material impact
▪ GRAP 37: Joint Arrangements	April 1, 2020	Unlikely there will be a material impact
▪ GRAP 38: Disclosure of Interests in Other Entities	April 1, 2020	Unlikely there will be a material impact
▪ GRAP 110 (as amended 2016): Living and Non-living Resources	April 1, 2020	Unlikely there will be a material impact
▪ IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	April 1, 2020	Unlikely there will be a material impact

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

---

### 2. New standards and interpretations (continued)

▪ Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	April 1, 2020	Unlikely there will be a material impact
▪ Directive 7 (revised): The Application of Deemed Cost	April 1, 2020	Unlikely there will be a material impact
▪ GRAP 18 (as amended 2016): Segment Reporting	April 1, 2020	Unlikely there will be a material impact

## Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Biological assets

	2020		2019	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Game Park animals	3,276,700	-	3,276,700	2,520,666
<b>Reconciliation of biological assets - 2020</b>				
			Opening balance	Gains or losses arising from changes in fair value
Game Park animals	2,520,666		756,034	3,276,700
<b>Reconciliation of biological assets - 2019</b>				
			Opening balance	Total
Game Park animals	2,520,666		2,520,666	2,520,666

#### Methods and assumptions used in determining fair value

The animals in game park are carried at fair values. fair is computed by comparing the available auction prices at year end.

## **Emadlangeni Local Municipality**

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## **Notes to the Annual Financial Statements**

Figures in Rand

### **4. Investment property**

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	21,360,550	(5,230,197)	16,130,353	21,360,550	(4,964,251)	16,396,299
Reconciliation of investment property - 2020				Opening balance	Depreciation	Total
Investment property				16,396,299	(265,946)	16,130,353
Reconciliation of investment property - 2019				Opening balance	Disposals	Total
Investment property				16,890,719	(216,050)	(2,839)
						16,396,299

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment

	2020		2019	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Land	23,616,519	~	23,616,519	23,616,519
Buildings	15,254,524	(8,870,983)	6,383,541	~
Plant and machinery	2,995,166	(1,704,661)	1,290,505	(8,403,251)
Furniture and fixtures	2,848,304	(2,020,871)	827,433	(1,886,889)
Motor vehicles	5,324,329	(3,508,343)	1,815,986	2,954,037
IT equipment	1,549,175	(796,124)	753,051	(2,079,697)
Infrastructure	172,941,933	(54,705,158)	118,236,775	874,340
Community	27,090,622	(12,458,473)	14,632,149	(11,738,687)
<b>Total</b>	<b>251,620,572</b>	<b>(84,064,613)</b>	<b>167,555,959</b>	<b>(76,549,799)</b>
			<b>238,816,966</b>	<b>(76,549,799)</b>
				<b>162,267,167</b>

## Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	23,616,519	-	-	-	-	-	23,616,519
Buildings	6,851,273	-	-	-	(467,732)	-	6,383,541
Plant and machinery	1,443,218	54,073	(54,270)	-	(152,516)	-	1,290,505
Furniture and fixtures	874,340	122,657	(24,840)	-	(144,724)	-	827,433
Motor vehicles	1,884,987	186,900	(3)	-	(255,898)	-	1,815,986
IT equipment	538,811	325,024	(17,690)	-	(93,094)	-	753,051
Infrastructure	111,706,084	108,192	(258)	12,899,396	(6,401,014)	(75,625)	118,236,775
Community	15,351,935	-	-	-	(7,13,207)	(6,579)	14,632,149
<b>162,267,167</b>	<b>796,846</b>	<b>(97,061)</b>	<b>12,899,396</b>	<b>(8,228,185)</b>	<b>(82,204)</b>	<b>167,555,959</b>	

## Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	23,669,519	-	(53,000)	-	-	(479,595)	(459,561)	23,616,519
Buildings	8,027,778	-	(237,349)	-	-	(212,729)	(1,368)	6,851,273
Plant and machinery	1,456,620	200,695	-	-	-	(192,282)	(4,617)	1,443,218
Furniture and fixtures	963,037	93,047	-	-	15,155	(453,707)	-	874,340
Motor vehicles	2,338,694	-	-	-	-	(144,674)	(5,214)	1,884,987
Computer Equipment	587,540	101,159	-	-	-	(6,621,359)	(136,772)	538,811
Infrastructure	107,917,965	2,419,933	(1,714,808)	9,841,125	-	(777,110)	(482,269)	111,706,084
Community	16,765,816	-	(154,502)	-	-	-	-	15,351,935
	<b>161,726,969</b>	<b>2,814,834</b>	<b>(2,159,659)</b>	<b>9,841,125</b>	<b>15,155</b>	<b>(8,881,456)</b>	<b>(1,089,801)</b>	<b>162,267,167</b>

#### Reconciliation of Work-in-Progress 2020

	Roads and storm water infrastructure	Electrical infrastructure	Community	Total
Opening balance	11,911,372	39,728,400	4,071,918	55,711,690
Additions/capital expenditure	9,536,228	3,363,168	-	12,899,396
Transfers to completed	(2,957,858)	-	-	(2,957,858)
	<b>18,489,742</b>	<b>43,091,568</b>	<b>4,071,918</b>	<b>65,653,228</b>

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 5. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2019

	Roads and storm water infrastructure	Electricity infrastructure	Community Assets	Total
Opening balance	6,806,540	34,992,108	4,071,918	45,870,566
Additions/capital expenditure	7,346,880	4,736,292	-	12,083,172
Transfers to completed	(2,242,048)	-	-	(2,242,048)
	<b>11,911,372</b>	<b>39,728,400</b>	<b>4,071,918</b>	<b>55,711,690</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

##### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	955,125	981,484
Plant and Machinery	255,635	235,386
Motor Vehicles	15,500	13,849
Infrastructure assets	1,950,231	1,956,231
	<b>3,176,491</b>	<b>3,186,950</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## **Emadlangeni Local Municipality**

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## **Notes to the Annual Financial Statements**

Figures in Rand

### **6. Intangible assets**

	2020		2019	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation
Computer software, other	576,087	(576,087)	-	576,087
			(466,237)	109,850

#### **Reconciliation of intangible assets - 2020**

Computer software, other

#### **Reconciliation of intangible assets - 2019**

Computer software, other

## Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets which fair values cannot be reliably measured: (Para 94)						
Buildings	1,489,999	(299,419)	1,190,580	1,489,999	(299,419)	1,190,580
<b>Reconciliation of heritage assets 2020</b>						
Heritage assets which fair values cannot be reliably measured: (Para 94)						
Art Collections, antiquities and exhibits						
<b>Reconciliation of heritage assets 2019</b>						
Heritage assets which fair values cannot be reliably measured: (Para 94)						
Art Collections, antiquities and exhibits						

### 8. Investments

	Opening balance	Total
<b>Designated at fair value</b>		
DBSA investments	405,256	374,786
This is a surety for the DBSA loan in accordance with the terms of the loan agreement		
the FV of the loan is R 515 568.00		
<b>Current assets</b>		
Designated at fair value	405,256	374,786

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 9. Employee benefit obligations

#### Defined benefit plan

The plan is post employment medical benefit plan, and Long service award

The amounts recognised in the statement of financial position are as follows:

Carrying value	2020	2019
Opening balance	(2,842,604)	(2,730,348)
Current service cost	(118,673)	(112,000)
Interest cost	(222,165)	(234,000)
Benefits paid	340,269	257,000
Actuarial gain/loss	166,996	(23,256)
	<b>(2,676,177)</b>	<b>(2,842,604)</b>
Non-current liabilities	(2,290,917)	(2,502,335)
Current liabilities	(385,260)	(340,269)
	<b>(2,676,177)</b>	<b>(2,842,604)</b>

#### Calculation of actuarial gains and losses

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 9. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

	2020	2019
POST EMPLOYMENT MEDICAL SUBSIDY	1.00 %	- %
Discount rate (D)	8.42 %	8.81 %
Consumer price inflation (C)	5.07 %	4.46 %
Health care cost inflation (H)	6.57 %	5.96 %
Net discount rate $((1+D)/(1+H)-1)$	1.74 %	2.69 %
LONG SERVICE AWARDS	1.00 %	- %
Discount rate	8.18 %	8.08 %
CPI	4.92 %	3.29 %
Salary increase rate	5.92 %	4.29 %
Net Discount Rate	2.13 %	3.63 %

#### 1. POST EMPLOYMENT MEDICAL SUBSIDY

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member

Emadlangeni Municipality does not have a formal medical subsidy policy for retired employees.

Emadlangeni Municipality is aware of five (5) continuation pensioners that are currently subsidised for medical contributions with the following subsidy requirements:

- subsidy percentages of 60% to current pensioners and their dependents; and
- subsidy percentages of 60% to deceased pensioners' spouses and their dependents.

#### ELIGIBLE EMPLOYEES

We summarise the participants eligible for post employment medical aid subsidy as at the current valuation date, 30 June 2020, as provided by Emadlangeni.

The table below illustrates the average total monthly medical contribution subsidies payable to continuation pensioners and active employees. The employees' contributions are those payable to the employees and their spouses in retirement, at the current rates. The contributions include risk and the medical savings account..

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
-----------------	------	------

### 9. Employee benefit obligations (continued)

#### VALUATION METHOD

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's postemployment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

#### VALUATION ASSUMPTIONS

##### NET DISCOUNT RATE

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised above:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2019 the duration of liabilities was 7.28 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2020 is 8.81% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.16% per annum, implying an underlying expectation of inflation of 4.46% per annum  $([1 + 8.81\%] / [1 + 4.16\%] - 1)$

A healthcare cost inflation rate of 5.96% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.69% per annum  $([1 + 8.81\%] / [1 + 5.96\%] - 1)$ . This year's valuation basis is consistent with the previous year's basis from a discount rate perspective. basis used to determine the overall expected rate of return on assets is as follow:

#### DEMOGRAPHIC AND DECREMENT ASSUMPTIONS

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows

##### CONTINUATION PERCENTAGES

We have assumed continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

#### 2. LONG SERVICE AWARDS

Emadlangeni offers bonuses for every 5 years of completed service from 10 years to 45 years. Below we outline the benefits awarded to qualifying employees. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed.

#### VALUATION METHOD

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

#### VALUATION ASSUMPTIONS

##### NET DISCOUNT RATE

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised above:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 9. Employee benefit obligations (continued)

bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2019 the duration of liabilities was 6.37 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 22 June 2019 is 8.18% per annum, and the yield on inflation-linked bonds of a similar term was about 4.15% per annum. This implies an underlying expectation of inflation of 3.29% per annum  $([1 + 8.08\% - 0.5\%] / [1 + 4.15\%] - 1)$

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.29% per annum. However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.63% per annum  $([1 + 8.08\%] / [1 + 4.29\%] - 1)$ .

### DEMOGRAPHIC AND DECREMENT ASSUMPTION

The demographic and decrement assumptions were consistent in the previous and current valuation period.

### 10. Prepayments

Eskom deposits	112,810	112,810
----------------	---------	---------

### 11. Receivables from exchange transactions

Consumer debtors - Electricity	8,142,022	7,878,592
Consumer debtors - Refuse	163,329	1,302,211
Consumer debtors - Other	618,154	826,513
	<b>8,923,505</b>	<b>10,007,316</b>

### 12. Receivables from non-exchange transactions

Fines	26,768	58,270
Consumer debtors - Rates	6,886,184	14,819,252
	<b>6,912,952</b>	<b>14,877,522</b>

#### Statutory receivables general information

##### Transaction(s) arising from statute

Traffic fines-section 56 and 139 of the traffic management act determines the type of fines that maybe levied by the municipality to motoroists that contraves these acts.

Propert rates-property rates are levied in accordacnce with the MPRA that requires different percentage to be levied on different properties depending on the use and the extent of those properties.

##### Interest or other charges levied/charged

Traffic fines the municipality does not levy nterest on late payments of traffic fines  
Property rates-interest on late payments of property rates is levied at 1.5%

### 13. VAT receivable

VAT	6,218,389	6,871,446
-----	-----------	-----------

The amounts accounts for VAT due or receivable from SARS using the accrual basis of accounting however the cash basis is applied while submitting the VAT 201

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 14. Consumer debtors disclosure

#### Gross balances

Consumer debtors - Rates	30,701,710	24,019,899
Consumer debtors - Electricity	12,584,999	9,691,636
Consumer debtors - Refuse	3,567,445	2,417,455
Consumer debtors - Other	1,283,532	1,511,634
	<b>48,137,686</b>	<b>37,640,624</b>

#### Less: Allowance for impairment

Consumer debtors - Rates	(23,815,526)	(9,200,647)
Consumer debtors - Electricity	(4,442,977)	(1,813,044)
Consumer debtors - Refuse	(3,404,116)	(1,115,244)
Consumer debtors - Other	(665,378)	(685,121)
	<b>(32,327,997)</b>	<b>(12,814,056)</b>

#### Net balance

Consumer debtors - Rates	6,886,184	14,819,252
Consumer debtors - Electricity	8,142,022	7,878,592
Consumer debtors - Refuse	163,329	1,302,211
Consumer debtors - Other	618,154	826,513
	<b>15,809,689</b>	<b>24,826,568</b>

#### Rates

Current (0 -30 days)	749,000	1,475,746
31 - 60 days	-	(9,158)
61 - 90 days	-	606,458
91 - 120 days	-	560,387
> 365 days	6,137,184	12,185,819
	<b>6,886,184</b>	<b>14,819,252</b>

#### Electricity

Current (0 -30 days)	1,066,964	1,639,857
31 - 60 days	-	2,036
61 - 90 days	-	486,276
91 - 120 days	-	399,506
> 365 days	7,075,058	5,350,917
	<b>8,142,022</b>	<b>7,878,592</b>

#### Refuse

Current (0 -30 days)	25,294	108,421
31 - 60 days	-	(2,697)
61 - 90 days	-	45,919
91 - 120 days	-	40,022
> 365 days	138,035	1,110,546
	<b>163,329</b>	<b>1,302,211</b>

#### Other

Current (0 -30 days)	12,819	21,497
31 - 60 days	-	(26)
91 - 120 days	-	26,593
121 - 365 days	-	26,093
> 365 days	605,335	752,356
	<b>618,154</b>	<b>826,513</b>

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 14. Consumer debtors disclosure (continued)

#### Reconciliation of allowance for impairment

Balance at beginning of the year	12,814,056	10,876,293
Contributions to allowance	17,195,430	1,937,763
	<u>(30,009,486)</u>	<u>(12,814,056)</u>

### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,083	1,083
Bank balances	222,480	4,050,653
Short-term deposits	3,686,967	10,410,688
	<u>3,910,530</u>	<u>14,462,424</u>

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2020	June 30, 2019	June 30, 2018
Standard Bank Primary Current Account	222,480	4,050,653	840,456	222,480	4,050,653	840,459
MIG 16/17 -Standard Bank Call Account	-	-	117,407	-	-	117,407
Small Town Rehabilitation 06 850 094 7 - 079	-	-	27,859	-	-	27,859
INEP 2016/17 Standard Bank Call Account	-	-	8,916	-	-	-
INEP 2017/18 Standard Bank Call Account	-	4,626,876	1,832,998	-	4,626,876	1,841,913
Nguni Cattle Standard Bank Call Account	134,320	127,428	119,945	134,320	127,428	119,945
KZN Wildlife Standard Bank Call Account	790,001	749,464	705,454	790,001	749,464	705,454
VAT refund account Standard Bank Call Account	5,001	5,001	5,001	5,001	5,001	5,001
EPWP 2018/2019 Standard Bank Call Account	-	405	427,367	-	384	427,367
FMG 16/17 Standard Bank Call Account	-	-	27,748	-	-	27,748
FMG 17/18 Standard Bank Call Account	-	1,404	1,404	-	1,404	377,618
Repairs 376 houses Standard Bank Call Account	1,889,819	-	1,617,789	1,889,819	1,795,449	1,693,138
Housing Operating account Standard Bank Call Account	-	79,730	75,349	-	-	-
General investments Standard Bank Call Account	2,508	6,869	8,256	2,509	6,898	8,265
Library Grant 16/17 Standard Bank Call Account	-	2,033	279,863	-	2,033	279,863
Proceeds from auction Standard Bank Call Account	4,574	1,591,992	781,000	4,575	1,591,992	781,000
MIG 17/18 Standard Bank Call Account	-	11,335	108,466	-	11,335	108,466
Consumer Deposits Standard Bank Call Account	188,125	182,486	175,762	188,126	182,486	175,762
Housing Rentals Standard Bank Call Account	252,512	239,554	-	252,512	239,554	-
INEP Retention Standard Bank Call Account	1,339	567,347	-	1,339	567,347	-
Spatial Planning Standard Bank Call Account	415,891	503,035	-	415,891	503,035	-
Petty Cash	1,083	1,083	1,083	1,083	1,083	1,083
MIG 2019.2020 Standard Bank Call Account	1,492	-	-	1,492	-	-
EPWP 2019/2020 'Standard Bank Call Account	674	-	-	671	-	-
FMG 2019/2020 'Standard Bank Call Account	711	-	-	711	-	-
<b>Total</b>	<b>3,910,530</b>	<b>12,746,695</b>	<b>7,162,123</b>	<b>3,910,530</b>	<b>14,462,422</b>	<b>7,538,348</b>

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Repair of 376 Houses	664,485	664,485
FMG Grant	7	7
NEP	484	484
Spatial Planning Grant	-	477,506
Disaster relief grant(covid 19)	284,516	-
	<b>949,492</b>	<b>1,142,482</b>

#### Movement during the year

Balance at the beginning of the year	1,142,482	669,048
Additions during the year	-	473,434
Income recognition during the year	(192,990)	-
	<b>949,492</b>	<b>1,142,482</b>

These amounts are invested in a ring fenced investment until utilised. All grants are cash backed refer to Note 3.

See note 32 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

### 17. Other financial liabilities

#### At amortised cost

Bank loan	515,569	674,328
Terms and conditions		

The municipality acquired a loan from the Development Bank of Southern Africa (DBSA) to fund the construction of municipal main offices. The term of the loan is 20 years. Interest charged is 10.81% per annum payable every half yearly.

#### Non-current liabilities

At amortised cost	367,802	589,451

#### Current liabilities

At amortised cost	147,767	84,877

#### Financial liabilities at fair value

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 18. Provisions for Landfill sites

#### Reconciliation of provisions for landfill sites - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	20,523,835	4,886	20,528,721

#### Reconciliation of provisions for landfill sites - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	19,536,595	987,240	20,523,835

#### Environmental rehabilitation provision

The provision is raised for the rehabilitation of waste disposal site(Emadlangeni Landfill site ) located to its original state once the site has reached the end of the useful life.l.

### 19. Payables from exchange transactions

Trade payables	4,574,015	3,897,688
Retention Liability	5,437,795	5,991,853
Leave Pay Accrued	2,876,419	2,054,340
Direct deposits, third parties and other	1,218,197	1,576,541
Deposits received	29,968	28,269
Political party Deductions payable	54,268	-
Credit balances receivables from exchange transactions	185,933	511,802
	<b>14,376,595</b>	<b>14,060,493</b>

### 20. Payable from non-exchange

Credit non exchange debtors	1,203,004	584,657
-----------------------------	-----------	---------

Included in payable from non- exchange transaction the are agency relationship trasactions beteen the department of human settlements and the municipality

In terms of the agreement the municipality facilitates the payments to service providers conducting construction work of township development on behalf of the Department of human settlement.The township development is conducted in the Jurisdictions of the municipality and it is deemed proper for the municipality to make progress payments to the contractor as non delivery will affect the operations of the municipality the effects of the transactions is disclosed below

#### Township development

Total amounts received department of human settlement	16,899,157	-
Total payments made to contractors	(16,899,157)	-
Terms and conditions	-	-

### 21. Consumer deposits

Rates	168,152	166,890
-------	---------	---------

The consumer deposits represents the amounts paid by consumers in obtaining the connections for services these amounts are refundable(payable) to consumers when the consumer accounts are trasnferred or closed.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 22. Revenue

Sale of goods	370,384	429,489
Service charges	16,125,081	14,444,107
Royalty income	414,922	209,076
Rental of facilities and equipment	1,019,508	1,163,721
Interest received (trading)	878,354	1,201,428
Licences and permits	939,652	1,072,710
Property rates	20,301,570	19,962,860
Property rates - penalties imposed	3,068,218	2,457,568
Government grants & subsidies	45,163,190	46,583,998
Fines, Penalties and Forfeits	103,890	406,722
	<b>88,384,769</b>	<b>87,931,679</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	370,384	429,489
Service charges	16,125,081	14,444,107
Royalty income	414,922	209,076
Rental of facilities and equipment	1,019,508	1,163,721
Interest received (trading)	878,354	1,201,428
Licences and permits	939,652	1,072,710
	<b>19,747,901</b>	<b>18,520,531</b>

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	20,301,570	19,962,860
Property rates - penalties imposed	3,068,218	2,457,568
Transfer revenue		
Government grants & subsidies	45,163,190	46,583,998
Fines, Penalties and Forfeits	103,890	406,722
	<b>68,636,868</b>	<b>69,411,148</b>

### 23. Sale of goods and rendering of services

Papers	129	9
Consumables	97,713	104,614
Sub-division and consolidation fees	11,684	8,085
Other documents	-	870
Tender documents	45,479	90,792
Building plans	21,740	13,233
Camping fees	64,440	122,239
Cemetery and burial	37,336	33,192
Clearance certificates	59,482	15,396
Entrance fees	30,291	37,857
Escort fees	-	1,323
Health services	-	522
Photocopies and faxes	2,090	1,291
Valuation Services	-	68
	<b>370,384</b>	<b>429,491</b>

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 24. Service charges

Sale of electricity	14,449,098	12,937,860
Refuse removal	1,675,983	1,506,247
	<b>16,125,081</b>	<b>14,444,107</b>

The service charges represents revenues earned by the municipality in the current financial year from the provisions of electricity and refuse removal.

### 25. Operational revenue

Administrative and handling fees	170,316	184,623
Breakages and losses recovered	1,444	821
Agency fees	243,163	23,632
	<b>414,923</b>	<b>209,076</b>

### 26. Interest on investment

Short-term deposits	878,354	1,201,428
---------------------	---------	-----------

### 27. Rental of facilities and equipment

<b>Premises</b>		
Rental of Investment properties	999,025	1,143,800
Ad hoc rentals	20,483	19,921
	<b>1,019,508</b>	<b>1,163,721</b>

### 28. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	103,890	406,722
-------------------------------	---------	---------

### 29. Licences and permits (exchange)

Game	147,917	135,181
Trading	1,415	1,000
Drivers licence certificate	462,651	566,073
Leaner licence application	125,591	144,995
Motor vehicle licence	129,165	138,364
Operators and public drivers permit	72,913	87,097
	<b>939,652</b>	<b>1,072,710</b>

### 30. Lease rentals on operating lease

<b>Lease rentals on operating lease</b>		
Leased Machinery	92,138	85,166

Operating leases represents the amounts paid to service providers in leasing out the photocopying machines that are used in the municipal buildings.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 31. Property rates

#### Rates received

Property rates	20,301,570	19,962,860
Property rates - Interest	20,301,570	19,962,860
	3,068,218	2,457,568
	<b>23,369,788</b>	<b>22,420,428</b>

#### Valuations

Residential	416,727,000	416,310,000
Commercial	74,450,000	67,874,000
State	356,176,000	356,176,000
Municipal	72,265,000	79,434,000
Small holdings and farms	2,889,536,000	2,889,536,000
Land reform property	24,165,000	21,615,000
Other (PBO, Public worship, Vacant etc)	12,760,000	15,134,000
	<b>3,846,079,000</b>	<b>3,846,079,000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 32. Government grants and subsidies

#### Operating grants

Equitable share	30,478,000	27,305,000
Finance Management Grant (FMG)	2,435,000	1,970,000
Expanded Public Works Programme	1,037,000	1,000,000
New establishment and operational -	1,091,000	1,035,000
Spatial Planning	379,706	22,494
Small town rehabilitation grant	400,484	4,073
Library	-	431
	<b>35,821,190</b>	<b>31,336,998</b>

#### Capital grants

Municipal Infrastructure Grant (MIG)	9,342,000	9,247,000
Integrated National Electrification Programme (INEP)	-	6,000,000
	<b>9,342,000</b>	<b>15,247,000</b>
	<b>45,163,190</b>	<b>46,583,998</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

#### Repair of 376 Houses

Balance unspent at beginning of year	664,485	664,485
--------------------------------------	---------	---------

#### Finance Management Grant

Balance unspent at beginning of year	7	7
Current-year receipts	2,435,000	1,970,000
Conditions met - transferred to revenue	(2,435,000)	(1,970,000)
	<b>7</b>	<b>7</b>

#### Integrated National Electrification Grant

Balance unspent at beginning of year	484	484
Current-year receipts	-	6,000,000
Conditions met - transferred to revenue	-	(6,000,000)
	<b>484</b>	<b>484</b>

#### Spatial Planning

Balance unspent at beginning of year	477,506	-
Current-year receipts	-	500,000
Conditions met - transferred to revenue	(477,506)	(22,494)
	<b>-</b>	<b>477,506</b>

#### Disaster Relieve grant (covid 19)

Current-year receipts	685,000	-
Conditions met - transferred to revenue	(400,484)	-
	<b>284,516</b>	<b>-</b>

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 33. Employee related costs

Basic	25,999,976	24,260,106
Bonus	1,594,834	1,430,698
Medical aid - company contributions	660,965	740,199
UIF	188,164	174,553
Bargaining Council	514,665	512,521
Group Life Assurance	3,544	4,597
Travel, motor car, accommodation, subsistence and other allowances	253,420	306,129
Overtime payments	684,286	499,144
Acting allowances	218,389	28,800
Housing benefits and allowances	180,717	157,688
Pension contributions	2,971,077	2,396,080
Stand By	1,059,812	619,200
Current interest costs	222,165	23,256
	<b>34,552,014</b>	<b>31,152,971</b>

### Remuneration of municipal manager Mr LCT Nkosi

Annual Remuneration	1,011,077	510,008
Car Allowance	-	255,000
Bonuses	-	45,505
Cellphone allowance	48,809	222,614
Backpay	27,143	-
	<b>1,087,029</b>	<b>1,033,127</b>

### Remuneration of the Acting Municipal Manager Ms SC Mhlophe

Acting Allowance	151,398	-
------------------	---------	---

### Remuneration of chief finance officer Ms SC Mhlophe

Annual Remuneration	1,328,103	781,460
Backpay	36,295	-
Performance Bonuses	117,639	-
Cellphone allowance	9,600	9,600
	<b>1,491,637</b>	<b>791,060</b>

### Remuneration of Technical director directors Mr N Kheswa

Annual Remuneration	-	781,460
Cellphone Allowance	-	9,600
	<b>-</b>	<b>791,060</b>

There is an Acting Director Infrastructure, Planning and Development because the appointed employee is on paid suspension.

### Remuneration of Technical director Acting Mr TI Mashiyane

Annual Remuneration	393,530	164,766
Backpay	49,459	-
	<b>442,989</b>	<b>164,766</b>

### Remuneration of Director Corporate Mr ZJ Mkhize

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>33. Employee related costs (continued)</b>		
Annual Remuneration	748,064	766,432
Cellphone Allowance	9,600	9,600
Performance Bonuses	30,803	-
Contributions to UIF, Medical and Pension Funds	33,062	-
	<b>821,529</b>	<b>776,032</b>
<b>Remuneration of Director Community Services</b>		
Annual Remuneration	-	185,356
The contract of Director Community Services ended in September 2018 and the department was splitted into Corporate Services and Infrastructure, Planning and Development departments.		
<b>34. Remuneration of councillors</b>		
Executive Major	477,508	462,684
Deputy Executive Mayor	390,166	376,207
Executive committee	-	345,076
Speaker	390,166	376,189
Councillors	2,456,090	2,008,087
	<b>3,713,930</b>	<b>3,568,243</b>
<b>In-kind benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council		
The allowances and benefits of councillors of Emadlangeni Local Municipality for the year under review were paid in terms of Government <u>Gazette 42134</u> (Upper limits of remuneration of public office bearers).		
<b>35. Depreciation and amortisation</b>		
Property, plant and equipment	8,603,979	9,376,688
<b>36. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	82,204	1,089,801
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
<b>37. Finance costs</b>		
Trade and other payables	39,695	2,163
Loans	97,199	106,213
Landfill sites	4,886	1,455,841
	<b>141,780</b>	<b>1,564,217</b>

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 38. Debt impairment

Debt impairment	17,195,430	1,937,763
-----------------	------------	-----------

The debt impairment represents the movements in the provisions for doubtful debts that were assessed as irrecoverable from the municipal consumer debtors. The debt impairment policy requires that

Category of Debtor	Percentage of debt regarded as collectable	Percentage of debt provided for as irrecoverable
Credit balances	Zero	Zero
Current account	1.00	Zero
Debt owing between 30 to 60 days	0.50	0.50
Debt in excess of 60 days	Zero	1.00
Approved indigents	Zero	1.00
Pending indigents	Zero	1.00
Hand over accounts to panel of debt collectors, legal hand over, clearance hand over (debt outside of Section 118(1)(b) of the Municipal Systems Act	Zero	1.00
Government/ public infrastructure accounts	1.00	Zero
Housing rental debtors Current debt debt ageing 30 days+	100%Zero	Zero100%

### 39. Bulk purchases

Electricity - Eskom	13,589,041	12,365,008
---------------------	------------	------------

Bulk purchases represents the total costs of electricity purchased from eskom

### Electricity losses

Units purchased	11,066,079	12,666,378
Units sold	(8,839,272)	(9,123,927)

### Total loss

**2,226,807** **3,542,451**

Comprising of:

Technical losses	2,213,172	3,526,916
Non-technical losses	13,635	15,535

### Total

**2,226,807** **3,542,451**

Percentage Loss:

Technical losses	1 %	1 %
Non-technical losses	99 %	99 %

### Total

**100 %** **100 %**

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 40. Contracted services

#### Outsourced Services

Burial Services	13,722	5,200
Professional Staff	323,357	506,900
Valuer and Assessor	82,456	123,348
Traffic Street Light	841	46,159

#### Consultants and Professional Services

Accounting And Auditing	1,797,594	907,132
Audit Committee	121,850	188,631
Legal advise and Litigations	4,699,860	556,331

#### Contractors

Catering Services	208,320	186,719
Electrical	311,715	207,297
Event Promoters	-	10,000
Maintenance of Buildings and Facilities	748,458	233,806
Maintenance of Equipment	19,962	13,849
Maintenance of other Assets	2,772,196	2,937,715
Medical Services	31,100	5,960
Pest Control and Fumigation	19,087	4,000
Transportation	77,150	164,200
Safeguard and Security	2,961,203	2,181,200
Sports and Recreation	29,000	19,000
	<b>14,217,871</b>	<b>8,297,447</b>

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 41. General expenses

Advertising	-	6,200
Auditors remuneration	2,229,973	2,031,029
Bank charges	214,197	154,120
Consumables	3,362,667	1,000,449
Daily allowance	246,691	138,464
Food and beverage	93,807	134,336
Incident Cost	31,304	29,179
Entertainment	82,020	12,718
Entrance Fees	-	507
Insurance	1,977,429	380,398
Electricity	70,370	48,614
Levies	201,536	222,546
Motor vehicle licence and registrations	-	47,347
Agriculture	-	1,996
Fuel and oil	918,668	1,032,120
Placement fees	12,376	40,615
Postage and courier	7,711	1,597
Printing and stationery	39,836	17,620
Gifts and promotional items	38,800	19,205
Research and development costs	59,871	406,849
Subscriptions and membership fees	9,134	5,266
Telephone and fax	408,720	435,695
Own transport	29,033	248,472
Training	343,188	298,531
Travel - local	(2,099)	44,480
Accommodation	410,174	494,247
Telephone installation	1,003	79,608
Uniforms	40,868	475,684
Firearm handling fees	300	3,096
Seating Allowance for Traditional Leaders	72,000	72,000
Skills Development Levy	292,631	273,570
Remuneration to ward committees	674,900	541,600
Bursaries-Community	122,346	8,601
Licences	1,899	230
Toll gate	-	403
	<b>11,991,353</b>	<b>8,707,392</b>

### 42. Auditors' remuneration

Fees	2,229,973	2,031,029
------	-----------	-----------

### 43. Loss on disposals on Assets

5500 - Discontinued Operations and Disposals of No	258	(15,914)
5500 - Discontinued Operations and Disposals of No	96,802	2,175,572
	<b>97,060</b>	<b>2,159,658</b>

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 44. Cash generated from operations

(Deficit) surplus	(14,976,251)	9,792,090
<b>Adjustments for:</b>		
Depreciation and amortisation	8,603,979	9,376,688
Fair value adjustments	(756,034)	(2,520,666)
Impairment deficit	82,204	1,089,801
Debt impairment	17,195,430	1,937,763
Movements in retirement benefit assets and liabilities	(166,427)	112,256
Movements in provisions	4,886	987,240
<b>Changes in working capital:</b>		
Receivables from exchange transactions	1,083,811	79,379
Consumer debtors	(17,195,430)	(1,937,763)
Other receivables from non-exchange transactions	7,964,570	(1,749,667)
Prepayments	-	(57,696)
Payables from exchange transactions	316,102	(1,348,617)
VAT	653,057	(1,704,279)
Taxes and transfers payable (non-exchange)	618,347	584,657
Unspent conditional grants and receipts	(192,990)	473,433
Consumer deposits	1,262	1,185
	<b>3,236,516</b>	<b>15,115,804</b>

### 45. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

▪ Property, plant and equipment	10,671,490	15,336,351
---------------------------------	------------	------------

#### Total capital commitments

Already contracted for but not provided for	10,671,490	15,336,351
---------------------------------------------	------------	------------

#### Authorised operational expenditure

##### Already contracted for but not provided for

▪ Expenditure	2,264,678	6,178,016
---------------	-----------	-----------

#### Total operational commitments

Already contracted for but not provided for	2,264,678	6,178,016
---------------------------------------------	-----------	-----------

#### Total commitments

#### Total commitments

Authorised capital expenditure	10,671,490	15,336,351
Authorised operational expenditure	2,264,678	6,178,016
	<b>12,936,168</b>	<b>21,514,367</b>

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 46. Contingencies

The municipality is defending various litigation and claim cases against the Municipality. The municipality's Attorney and management strongly believe that the municipality has a strong defence. Should the litigation and claims against the municipality be successful the total estimated liability of all cases is approximately R 2 290 000.00

Case number-D76/2020

Description of the matter -This was an application to the labour court by the Director of infrastructure for an order to compel the municipality to consider legal opinion and recommendation of the evidence leader in his disciplinary hearing

Assessment of the possible outcome

In our opinion this application will be dismissed on the basis that it is an unfair labour and therefore should have been brought before the South African Local Government Bargaining Council and not the Labour Court. Estimated amounts +- R 40 000.00

Case number-Not Case number

Description of the matter -This is a claim by a company (PMSA) that was appointed to conduct a feasibility study at eMadlangeni Municipality. Their total claim was R4 082 500.00. They were paid 50% of the said fees and they have sent a letter of demand for the remaining R2 141 250.00 to the municipality.

Assessment of the possible outcome

In the event that the representatives of PMSA proceed to court with this matter, there is a possibility that the court might find that PMSA must be paid the amount claimed. Estimated total amounts R 2 150 000.00

Case number-LCC 161/2018

Description of the matter -This was an application to the labour court by the Director of infrastructure for an order to compel the municipality to consider legal opinion and recommendation of the evidence leader in his disciplinary hearing.

Assessment of the possible outcome

In our opinion This is not necessarily a claim against eMadlangeni. This is not necessarily a claim against eMadlangeni Municipality as the Municipality is amongst the respondents in the matter and therefore any payments relating to the claim will be paid by the either office of the Minister of Rural Development & Land Reform or any other office entrusted with the settlement of such claims. The only costs to the municipality might incur are the legal costs involved in the litigation of the matter. 100 000

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 47. Related parties

#### Relationships

Members of key management  
Municipal Manager  
Acting Municipal Manager  
Chief Financial Officer  
Acting Director Technical Services  
Director Technical Services  
Director community Services

Names  
Mr LCT Nkosi  
Ms SC Mhlophe  
Ms SC Mhlophe  
Mr TI Mashiyane  
N Kheswa  
Mr ZJ Mkhize

The Municipality does not have any related party transactions other than those disclosed in note 33 and 34 of the financial statements

#### Related party balances

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

[State terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement]

[State details of any guarantees given or received]

## Emadlangeni Local Municipality

(Registration number KZN 253)  
Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Related parties (continued)

#### Remuneration of management

#### Management class: Councillors

#### 48. Prior period errors

Property, plant and equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)

The correction of the error(s) results in adjustments as follows:

#### 49. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance affected by prior-year adjustments:

#### Statement of financial position

2020

Note	As previously reported	Correction of error	Reclassification	Restated
Biological assets	-	2,520,666	-	2,520,666
Investment property	16,701,299	(305,000)	-	16,396,299
Repayments	-	57,697	55,114	112,811
Property, plant and equipment	162,256,685	10,481	-	162,267,166
Receivables from exchange transactions	10,062,431	-	(55,114)	10,007,317
<b>189,020,415</b>	<b>2,283,844</b>		<b>-</b>	<b>191,304,259</b>

#### Statement of financial performance

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 49. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Employee Costs		(31,508,872)	355,901	-	(31,152,971)
Actuarial losses		-	(355,901)	-	(355,901)
Debt impairments		-	-	(1,937,763)	(1,937,763)
Inventory Consumed		(2,034,564)	-	2,034,564	-
General expenses		(8,610,590)	-	(96,801)	(8,707,391)
Bulk Purchases		(12,422,704)	57,696	-	(12,365,008)
Depreciations		(9,377,095)	407	-	(9,376,688)
<b>Surplus for the year</b>		<b>(63,953,825)</b>	<b>58,103</b>	-	<b>(63,895,722)</b>

#### Cash flow statement

#### Errors

The following prior period errors adjustments occurred:

#### Biological assets

During the current financial year management observed that the biological assets were not fair valued in accordance to GRAP standards. Management decided to retrospectively adjust the biological assets to reflect the fair values that were not computed in previous financial years. The total amount of R 2 520 666.00.

#### Investment property

During the financial year ended 2019 management had erroneously included a piece of land with the value of R 305 000.00 in their asset register as investment property. The land originally belonged to the provincial government and was included in the asset register of the municipality as it is situated in the jurisdiction.

#### Eskom deposits

During the year ended 30 June 2019 management had incorrectly accounted for the eskom deposits with the value R 57 697.00 of as a payment for bulk purchases.

#### Actuarial Losses

During the year ended 30 June 2019 management had incorrectly accounted for the actuarial losses with the value R 33 901 as a payment for Employee Costs.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020	2019
------	------

### 49. Prior-year adjustments (continued)

#### Reclassifications

Certain comparative accounts have been renamed as management concluded that this will meet the fair presentation criteria as required by GRAP 1. The following accounts have been renamed

- 1.Financial Assets -Investments
- 2.Transfers & subsidies -Government grants and subsidies.
- 3Operating expenses-General expenses

The following reclassifications adjustment occurred:

#### Pre-payments

During the year ended 30 June 2019 The Eskom deposits of R 112 810. were erroneously included as bulk purchases reclassified these from debtors from exchange transactions to prepayments.

Management is of the view that these amounts are material in nature and will also meet the fair presentation criterion as prescribed by GRAP 1

#### Debt impairments

In the 2019 financial year the debt impairment provisions were included as general expenses

In order to meet the GRAP 1.103 management decided to disclose the debt impairment provision R 1 937 763.00 as a line item on the face of the statements of financial performance

#### Inventory Consumed

In the 2019 financial year the inventory consumed of the value of R 2 034 564.00 was separately disclosed on the face of financial performance.

In order to meet the GRAP 1.103 management decided to disclose the inventory consumed line item as part of general expenses in order to meet the fair presentation criterion per GRAP 1.104

### 50. Unauthorised expenditure

Opening balance as previously reported	41,691,416	33,559,515
Correction of prior period error	-	8,131,901
<b>Opening balance as restated</b>	<b>41,691,416</b>	<b>41,691,416</b>
Add: Expenditure identified - current	16,835,665	-
Less: Approved/condoned/authorised by council	(41,691,416)	-
<b>Closing balance</b>	<b>16,835,665</b>	<b>41,691,416</b>

The expenditure was due to over-spending on the budget line items but the overall expenditure was within the approved budget however majority of these line items are non cash items which have no monetary impact.

### 51. Fruitless and wasteful expenditure

Opening balance as previously reported	162,292	216,075
Correction of prior period error	-	(40,799)
<b>Opening balance as restated</b>	<b>162,292</b>	<b>175,276</b>
Add: Expenditure identified - current	15,244	2,163
Add: Expenditure identified - prior period	-	(15,147)
Less: Amounts irrecoverable - prior period	(162,292)	-
<b>Closing balance</b>	<b>15,244</b>	<b>162,292</b>

## Emadlangeni Local Municipality

(Registration number KZN 253)  
Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 51. FruITLESS and wasteful expenditure (continued)

#### Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 162 293- from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

#### 52. Irregular expenditure

Opening balance as previously reported	59,294,942	57,718,346
Correction of prior period error	-	40,799
<b>Opening balance as restated</b>	<b>59,294,942</b>	<b>57,759,145</b>
Add: Irregular Expenditure - current	7,601,361	1,676,087
Less: Amounts recoverable - prior period	-	(140,290)
Less: Amount written off - prior period	(16,005,210)	-
<b>Closing balance</b>	<b>50,891,093</b>	<b>59,294,942</b>

### 53. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	520,767	500,000
Amount paid - current year	(520,767)	(500,000)
	-	-

#### Audit fees

Opening balance	-	4,793
Current year subscription / fee	2,564,469	2,335,683
Amount paid - current year	(2,564,469)	(2,340,476)
	-	-

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### PAYE and UIF

Opening balance	26,078	26,078
Current year subscription / fee	6,600,514	5,141,765
Amount paid - current year	(6,626,592)	(5,141,765)
	-	26,078

#### Pension and Medical Aid Deductions

Current year subscription / fee	723,384	1,096,099
Amount paid - current year	(723,384)	(1,096,099)
	-	-

#### VAT

VAT receivable	6,218,389	6,871,446
	-	-

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2020:

June 30, 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Madi Z H	1,706	28,216	29,922
Madida N A	10,315	-	10,315
	12,021	28,216	40,237

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

### 54. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	515,569	674,328
	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 55. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10% for the municipality was due to expenditures above the level approved by the council. There were no other material differences between the final budget and the actual amounts.

# Emadlangeni Local Municipality

(Registration number KZN 253)

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 55. Budget differences (continued)

#### **Sale of Goods**

The difference of 15% is due to covid 19 lockdown collections decreased as consumers could not make payments.

#### **Operational revenue**

The difference of 83% is due to covid 19 lockdown collections decreased as consumers could not make payments.

#### **Service charges**

The difference of 15% is due to covid 19 lockdown collections decreased as consumer could not make payments.

#### **Rental of facilities & equipment**

The difference of 18% is due to covid 19 lockdown the demand for rentals of facilities & equipment declined.

#### **Interest earned**

The difference of 58% is due to that most of the interest is received from Grant investments.

#### **Licences and Permits**

The difference of 25% is due to covid 19 lockdown the issuance of licences and permits had been stopped.

#### **Gain on fair value adjustments biological assets**

The difference of 100% is due to the fact that it was not budgeted for as it arose from prior period errors.

#### **Actuarial Gains**

The difference of 100% is due to the fact that it was not budgeted for as it relates to market assumptions and computations by the use of an expert.

#### **Property rates**

The difference of 23% is due to covid 19 lockdown collections decreased as most of consumer could not make payments.

#### **Grants and subsidies**

The difference of 11% is due to the INEP grant that was not received.

#### **Fines, Penalties and forfeits**

The difference of 24% is due to covid 19 lockdown collections decreased.

#### **Debt Impairment**

The difference of -951% is due to a new debt impairment policy.

#### **Depreciation & Amortisation**

The difference of -47% is due to the fact that it was under budgeted.

#### **Finance charges**

The difference of -467% is due to the fact that it was under budgeted.

#### **General expenses**

The difference of 11% is due to some of the costs were cut due to low collection caused by Covid 19.

#### **Lease rentals on operating lease**

The difference of 25% is due to the fact that it was under budgeted.